

# Retail Market Report | Q3 2021

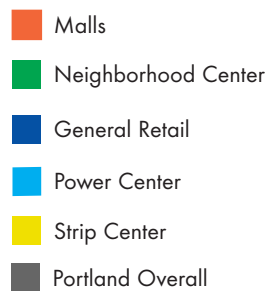
Norris & Stevens

INVESTMENT REAL ESTATE SERVICES

## OVERVIEW

The COVID-19 pandemic brought immense challenges to the retail sector both locally and nationally, which had already been struggling for years due to the growth of e-commerce. With the state partially reopening on June 30th after 16 months of intermittent lock down, the retail sector is already showing signs of recovery. Total sales volume in 2021 is already on pace to eclipse 2020 figures, and leasing volume rose proportionally after restrictions were lifted.

## Vacancy Rates by Building Type Years 2016 - 2021



Source: CoStar Property

## VACANCY

At 3.9%, the Portland retail vacancy rate fell slightly from 4.1% at the end of the second quarter 2021.

Strip centers in the Portland metro area saw the biggest drop in vacancy rates, going from 6.4% at the end of the second quarter to 5.7% to close out the third quarter of 2021.

In pricey coastal metros such as the Bay area and Seattle, some companies are looking to make telework a permanent option. With the ability to work from home, residents in those areas are looking to Portland as a more affordable living option. This should lead to higher retail activity going forward.

## ABSORPTION & DELIVERIES

After briefly rising into positive territory for the first time since Q4 2018 at the end of the second quarter, net absorption fell into the negative again, ending the third quarter 2021 at (44,759 SF) absorbed.

## PORTLAND MARKET SNAPSHOT

VACANCY  
**3.9%**



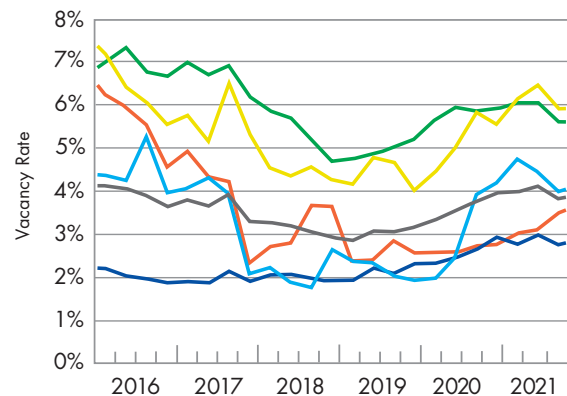
RENTAL RATE  
**\$22.79**



CONSTRUCTION  
**602,656 SF**

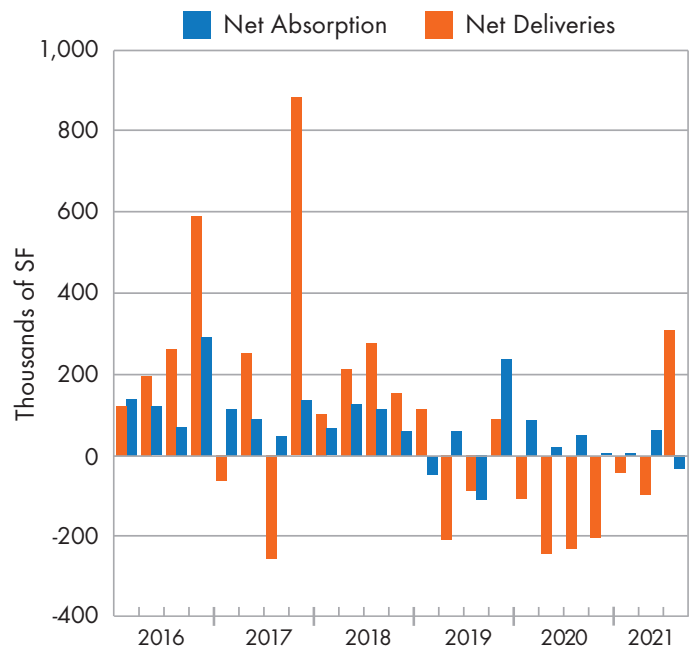


ABSORPTION  
**(44,759) SF**



## Absorption & Deliveries

2016 - 2021



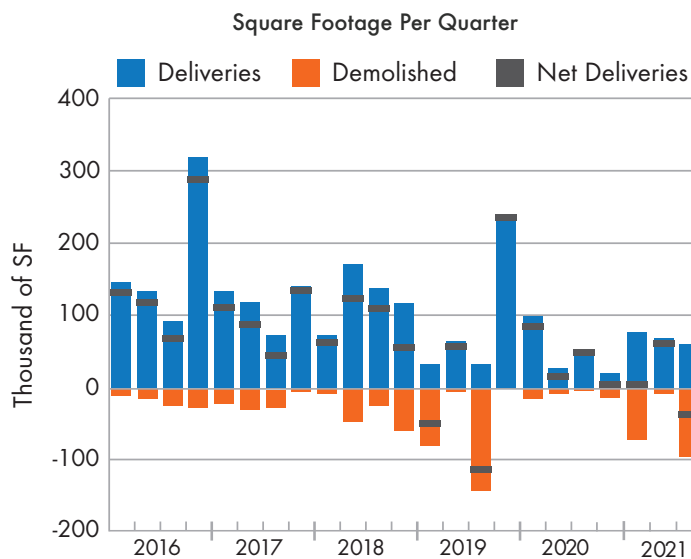
Source: CoStar Property

## DELIVERIES AND CONSTRUCTION

The ongoing shift from in-person shopping to e-commerce has had developers reluctant to break ground on new retail projects even before the COVID-19 pandemic began. As a result, just like the second quarter of 2021, the third quarter saw no new deliveries. 220,000 total square feet has been added in Portland over the past 12 months. There was 602,565 square feet still under construction at the end of the third quarter.

Total retail inventory for the Portland market amounted to 123,063,851 square feet as the quarter came to a close.

### Historical Construction Deliveries & Demolitions

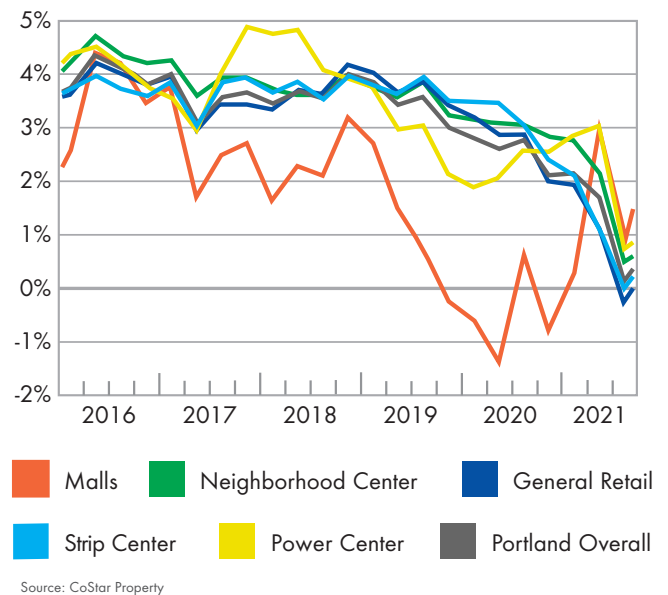


## RENTAL RATES

Portland's rent growth year-over-year posted gains of 0.3%, trailing the national average of 2.0%. After gaining some momentum in the last few months of 2020, growth is projected to remain in flux over the next few quarters, as tenants and businesses wrestle with post-pandemic practices and strategies.

Average quoted rental rates decreased slightly from the previous quarter, ending at \$22.79 per square foot per year. This compared to \$22.85 per square foot in the second quarter of 2021, and \$22.90 at the end of the third quarter 2020.

### Market Rent Growth



## Construction Activity | Markets Ranked UNDER CONSTRUCTION SF

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
North Beaverton	8	239,000	217,000	90.9%	13,667	29,826
Westside Outlying	1	108,000	103,000	95.3%	9,831	108,000
Clackamas/Milwaukie	8	89,000	26,000	29.5%	10,639	11,163
Hayden Island/Swan Island	1	55,000	55,000	100%	7,388	54,562
Clark County Outlying	8	37,000	0	1.0%	8,171	4,596
Hazel Dell/Salmon Creek	1	34,000	34,000	100%	13,014	34,267
Kruse Way	2	17,000	7,000	42.2%	10,916	8,689
East Columbia Corridor	2	10,000	10,000	100%	12,577	5,027
Sherwood	1	10,000	4,000	40.0%	13,853	10,000
Yamhill County	1	4,000	0	5.3%	7,851	3,618
All Other	-	-	-	-	10,366	-
<b>Totals</b>	<b>33</b>	<b>603,000</b>	<b>457,000</b>	<b>75.9%</b>	<b>10,412</b>	<b>18,260</b>

Source: CoStar Property

For detailed information regarding this report, and to discuss how Norris & Stevens can assist with your real estate needs, please contact us at (503) 223-3171 or visit us at [www.norris-stevens.com](http://www.norris-stevens.com).